

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

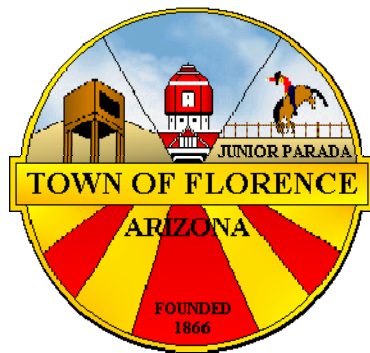


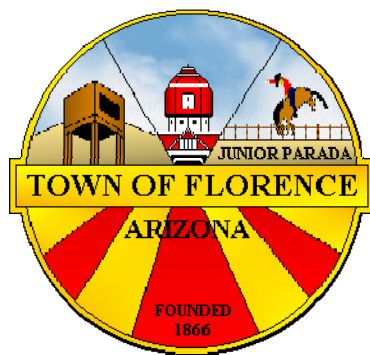
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FINANCIAL SECTION





Independent Auditors' Report

The Honorable Mayor and Council
Town of Florence, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Florence (the Town), Arizona, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Florence failed to use highway user revenue fund monies received by the Town of Florence pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town of Florence solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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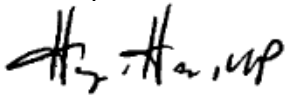
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The Honorable Mayor and Council
Town of Florence, Arizona
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

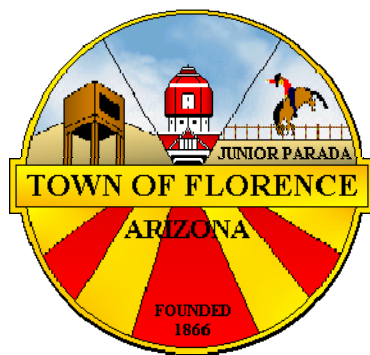
The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "H. H. H. H.", is positioned above the typed name and date.

Casa Grande, Arizona
December 2, 2009

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable breakdown of the Town of Florence financial activities based on currently know facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter that begins on page one and the financial statements that follow.

Report Layout

Besides the Management's Discussion and Analysis, (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of nonmajor funds and supplementary information.

The first several statements are highly condensed and present a government-wide view of the Town's finances and operations. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services like public safety, culture and recreation, community development, public works and general governmental administration. Business-type activities are water, sewer, and sanitation. The government-wide statements include the Statement of Net Assets and Statement of Activities. The Town's component unit, the North Florence Improvement District No. 1, Merrill Ranch Community Facilities District No. 1 and Merrill Ranch Community Facilities District No. 2 is included within the government type activities.

Statement of Net Assets

The Statement of Net Assets presents the unrestricted assets of governmental and business-type activities. Governmental and Business-type activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long term liabilities.

Net assets, the difference between assets and liabilities provide a measure of the Town's financial strength, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's privilege tax or property tax base or the condition of roads, parks and libraries to accurately assess the overall health of the Town.

Statement of Activities

The Statement of Activities presents the major program costs and matches major resources with each. To the extent that direct charges and grants do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements reinforce information in the government-wide financial statements or provide additional information. The Town's major funds are presented in a separate column titled, "Other Governmental Funds". For each major fund, a Budgetary Comparison Statement is presented. Users who want to obtain information on nonmajor funds can find it in the Combining Schedules of Nonmajor Funds and/or the Supplemental Information-Budgetary Comparison Schedules of this report. Finally, the report provides a series of other financial and statistical schedules.

The MD&A is intended to explain significant changes in the financial position and differences in operations between current and prior years

Town as a Whole

A condensed version of the Statement of Net Assets at June 30, 2009 follows.

Condensed Statement of Net Assets (in Thousands)						
	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 42,382	\$ 38,148	\$ 9,620	\$ 9,233	\$ 52,002	\$ 47,381
Capital assets	68,886	57,783	12,041	12,517	80,927	70,300
Total assets	<u>111,268</u>	<u>95,931</u>	<u>21,661</u>	<u>21,750</u>	<u>132,929</u>	<u>117,681</u>
Other liabilities	2,323	3,031	187	527	2,510	3,558
Long-term liabilities	10,432	6,812	6,033	5,874	16,465	12,686
Total liabilities	<u>12,755</u>	<u>9,843</u>	<u>6,220</u>	<u>6,401</u>	<u>18,975</u>	<u>16,244</u>
Net assets:						
Invested capital assets						
net of related debt	57,868	50,480	6,007	6,314	63,875	56,794
Restricted	22,567	22,965	1,042	1,014	23,609	23,979
Unrestricted	18,077	12,643	8,392	8,022	26,469	20,665
Total net assets	<u>\$ 98,512</u>	<u>\$ 86,088</u>	<u>\$ 15,441</u>	<u>\$ 15,350</u>	<u>\$ 113,953</u>	<u>\$ 101,438</u>

During fiscal year 2008-2009 several major events changed the balance of net assets:

The Town's overall financial position has improved during the year as reflected in the increase in net assets above. Cash and cash equivalents increased \$15,248,000 due to increases in intergovernmental revenue, increases in user fees, and acquisition of infrastructure. Liabilities increased in governmental business by \$2,912,000, increasing slightly due to debt issued for the CFD Bonds in Merrill Ranch CFD NO.2 and decreased by \$181,000 in business activities where no new debt was issued. Additionally the unrestricted net assets of both the governmental and business-type activities amount to \$12,424,000 and \$91,000 respectively. This provides a useful measure of the Town's net assets available for spending at the end of the fiscal year.

There are restrictions in net assets of governmental assets of \$22,567,000 business type activities of \$1,042,000. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation construction projects and the repayment of debt. Within the business type activities are bond proceeds, and debt service reserves.

Governmental Activities

Addition of Infrastructure: The largest change was the inclusion of general government capital assets and infrastructure (land, road and bridge improvements, streets, etc.). New additions to General Government infrastructure was Capital Improvement Land, Easements and Right of Ways-\$10.2 million, Infrastructure Improvements of \$4.5 million, that includes streets, sidewalks, curbs, gutter improvements, streetlights, storm drains and manholes, Buildings that include the Silver King Hotel, Land in the amount of \$1.8 million for right-of-ways, easements and donations of land, Roadways of \$4.9 million and Furniture, Fixtures and Equipment, including vehicles in the amount of \$1.1 million. At the end of June 30, 2009, one project was still in construction phase and that was the Police Department Evidence Building. Costs incurred to date were \$69,344.

Infrastructure and other improvements total approximately \$84.5 million with street related components accounting for \$60.8 million of that entire total. The non-land portion of improvements, are now depreciated and the depreciated value at year-end is \$80.9 million. Long term debt totaled \$11 million. This includes the Community Facilities Districts debt service on General Obligation and Assessment Bonds.

Business –type Activities

Current cash and other assets total \$21.7 million. Infrastructure and other improvements total approximately \$17.7 million. The non-land portion of improvements, are depreciated and the net value is \$12 million. Long term debt totaling \$6 million reflects monies borrowed from the Water Infrastructure Financing Authority for the new sewer plant.

The Water Fund added \$606,646 in capital purchases. This included completion Project U34 Well #3-\$594,036 and water meter - \$12,610.

The Florence Sewer Fund continued its Sewer Plant improvement project, expending \$168,960, for construction of the Sewer Plant on Plant Road, Mangle at Florence Tree Farm-\$7,085, Vehicle Purchase-\$25,806, Water Meter-ADOC Wastewater Flow Meter-\$27,048.

Project U062-SCADA-\$6,650, Project U19–Aerated Lagoon Closure-\$42,288, and Project U11-18" Bore on HWY 79 were started this year. They will carry forward to next year.

The Sanitation Fund purchased a Sanitation Truck in the amount of \$229,405. This vehicle was partially funded by Impact Fees in the amount of \$90,000.

A summary of the statement of activities follows:

	Changes in Net Assets (in Thousands)					
	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Program revenues						
Charges for services	\$ 2,727	\$ 3,274	\$ 5,449	\$ 5,061	\$ 8,176	\$ 8,335
Operating grants	3,578	4,078	-	-	3,578	4,078
Capital grants and contributions	9,801	8,545	37	112	9,838	8,657
General revenues	-	-	-	-	-	-
Taxes	6,490	7,081	-	-	6,490	7,081
Intergovernmental	6,217	7,310	-	-	6,217	7,310
Miscellaneous	164	237	167	816	331	1,053
Total revenues	<u>28,977</u>	<u>30,525</u>	<u>5,653</u>	<u>5,989</u>	<u>34,630</u>	<u>36,514</u>
Expenses						
General government	6,285	6,637	-	-	6,285	6,637
Public safety	5,971	5,277	-	-	5,971	5,277
Highways and streets	2,356	3,252	-	-	2,356	3,252
Public works	26	39	-	-	26	39
Culture and recreation	1,365	1,568	-	-	1,365	1,568
Community development	732	665	-	-	732	665
Interest on long-term debt	398	409	-	-	398	409
Water	-	-	1,437	1,686	1,437	1,686
Sewer	-	-	2,918	1,744	2,918	1,744
Sanitation	-	-	626	685	626	685
Non-Major Enterprise	-	-	-	61	-	61
Total expenses	<u>17,133</u>	<u>17,847</u>	<u>4,981</u>	<u>4,176</u>	<u>22,114</u>	<u>22,023</u>
Excess before transfers	11,844	12,678	672	1,813	12,516	14,491
Transfers in (out)	580	327	(580)	(327)	-	-
Change in net assets	12,424	13,005	92	1,486	12,516	14,490
Beginning net assets	86,088	73,083	15,349	13,864	101,437	86,947
Ending net assets	<u>\$ 98,512</u>	<u>\$ 86,088</u>	<u>\$ 15,441</u>	<u>\$ 15,350</u>	<u>\$ 113,953</u>	<u>\$ 101,438</u>

Government Activities

The cost of all governmental activities this year was \$22.1 million. \$8.1 million of this cost was paid for by those who directly benefited from or contributed to the programs. \$13.4 million was subsidized by grants received from other governmental organizations and \$6.5 million was financed through general Town taxes. Other governmental revenues, including inter-governmental aid and interest amounted to \$6.2 million.

Governmental Activities

The Town's governmental functions include the following: general government, community development, culture and recreation, public safety and public works.

Governmental revenues decreased \$1.5 million from last year. Charges for services were down by \$547,000, operating grants were slightly increased by \$131,000, capital grants increased by \$625,000. Taxes were down \$591,000 from the prior year due to moving off the construction tax into the CIP fund. Intergovernmental (state and county shared) taxes went down by \$1.1 million from the prior year.

Governmental program expenses decreased \$714,000 from the prior year. Net costs of services decreased because of restricted expenditure in governmental activities.

Business-type Activities

The cost of providing all business-type activities this year was \$5 million. All of this cost was paid by users. Timely rate studies and implementation are credited for generating enough revenue to cover costs and restricting expenditures.

Expenditures increased \$805,000 this year. This is due to increased costs in labor, materials and supplies, and general operating expenditures.

The Town's business-type programs include the following: water, sewer and sanitation.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008 the Town had invested \$91 million in capital assets as reflected in the following table. Assets increased from the prior year in the amount of \$13.2 million. Of the total additions reflected below, \$13.2 million represents current year infrastructure additions. The majority of the increase in capital additions is due to the infrastructure assets acquired through annexation in the streets in the Governmental Activities. Accumulated depreciation reflects the allowance for aging of assets and the result of assets less accumulated depreciation equals the new value of fixed assets in total.

The following table reconciles the changes in capital assets.

	2008	Additions	Dispositions	2009
Capital Assets	\$ 91,072,800	\$ 28,361,339	\$ (17,255,221)	\$ 102,178,918
Accumulated Depreciation	(20,772,216)	(2,214,053)	1,734,385	(21,251,884)
	<u>\$ 70,300,584</u>	<u>\$ 26,147,286</u>	<u>\$ (15,520,836)</u>	<u>\$ 80,927,034</u>

Additional information of the Town of Florence capital assets can be found in the notes to the financial statements.

Debt Administration

As of year-end, the Town had \$17.1 million in debt outstanding compared to \$13.5 million last year. This is an over last year due to CFD #2 Go Issue for 2008-2009.

Debt Schedule

Financing Agency	Purpose	Loan	Rate	Maturity	Loan Amount	Retired	Balance
Julie Giles	Land Purchase	01/02/02	6.00%	07/01/21	\$ 800,000	\$ 185,486	\$ 614,514
National Bank of Arizona	Streetlight Purchase	03/01/03	3.00%	03/01/10	\$ 219,000	\$ 196,108	\$ 22,892
Bank of New York Trust	Purchase Asset of Utility Co.	01/01/94	8.45%	01/01/19	\$ 1,525,000	\$ 870,000	\$ 655,000
U.S. Bank	Town Construction	07/01/97	5.40%	07/01/09	\$ 2,495,000	\$ 2,245,000	\$ 250,000
Historical Preservation	Silver King Purchase	01/07/07	0.00%	01/01/09	\$ 75,000	\$ 75,000	\$ -
Water Infrastructure Authority of Arizona	Sewer Expansion	01/03/03	3.34%	07/01/22	\$ 7,500,000	\$ 1,466,510	\$ 6,033,490
Wells Fargo Bank	Infrastructure-CFD #1	06/06/06	4.30%	07/01/30	\$ 2,464,000	\$ 76,000	\$ 2,388,000
Wells Fargo Bank	Infrastructure-CFD #2	06/06/06	4.30%	07/01/30	\$ 2,555,000	\$ 94,000	\$ 2,461,000
Stone & Youngberg, LLC	Infrastructure-CFD #1	11/06/07	5.40%	07/01/31	\$ 194,000	\$ 194,000	\$ -
Stone & Youngberg, LLC	Infrastructure-CFD #2	11/01/07	5.40%	07/01/31	\$ 251,000	\$ 14,000	\$ 237,000
Wells Fargo Bank	Infrastructure-CFD #1	06/28/09	6.00%	07/01/30	\$ 4,390,000	\$ -	\$ 4,390,000
Total Debt					\$ 22,468,000	\$ 5,416,104	\$ 17,051,896

Additional information on the Town of Florence long-term debt can be found in the notes to the financial statements.

The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or sewer services and recreational playground facilities may not exceed 20% of the Town's

secondary assessed valuation. Under the second test, a Town may not insure general obligation debt for general municipal purposes in an amount that exceeds 6% of the Town's secondary assessed valuation.

Economic Factors

Governmental Funds

The Town relies heavily on state shared revenues. During the year 58% of the general fund revenues were derived from state shared revenues and 52% of the Highway User Fund revenues. Because of the correctional facilities located within the Town limits, the apportionment of state shared revenues has assisted the Town in providing increased demand for services in the municipal limits. The private construction has provided additional transaction privilege tax revenues. These are one time revenues that are allocated to the CIP Fund to purchase and fund capital projects. We may need to use a portion of this revenue to sustain the operational costs of general government for the upcoming years where a decrease in state shared revenues is expected. The retail picture will depend upon future development of housing, commercial and industrial business within the community.

The following business developments have provided additional resources for the Town:

- The Windmill Winery
- Clover's
- Tri-City Express Care
- The Chop-Shop
- AMS Ventures, LLC
- The Horner Group, LLC
- RVA Ong Enterprise Inc.
- Advanced Appliance Repair
- Rollin' Catfish
- F& A Custom Sheds
- McCarthy Building Companies
- Michaels General Store & Cafe
- The Fudge Shoppe
- Curley Moe's Barber Shop/Salon
- The Tinder Box Candle and Gift Emporium
- Curbing Masters Inc.

Business-type Funds

The rates for the Water, Sewer Funds in Florence were increased July 2008. A new rate study was done for 2008-2009. It was completed in April 2009. New rates became effective on September 1, 2009.

Development Impact Fees were increased on July 1, 2009 based upon the rate study inflation factor.

Next Year's Budget and Rates

The 2009-2010 fiscal year operating budget increased slightly over last year. The operating budget was prepared with a decrease in property tax rate from \$.8179 per \$100 Net Assessed Valuation to \$.7942 per \$100 Net Assessed Valuation. This is used to supplement the General Fund Revenues.

The 2009-2010 Capital Budgets for next year is limited to the following projects:

- General Fund for \$1,125,800 includes copiers, vehicles, furniture, equipment and improvements for various departments. This budget is located in the Capital Projects Fund.
- Capital Project Fund \$7,000,000 for Town Construction projects.
- Highway User Fund for \$3,400,168 vehicles and equipment, and street and road improvements.
- Water Fund for \$3,008,000 for water meters, equipment, valves, hydrants, water line replacements and extensions, bore, and well replacement.
- Sewer Fund for \$1,608,500 for plant expansion, improvements and closure costs, interceptors, sewer main extensions and replacements.
- North Florence Sewer Fund for \$100,000 for a bore and lift station.
- Sanitation Fund for \$2,000,000 for transfer station.
- Enterprise Impact Fee \$443,000 in various growth related projects
- Other Impact Fees \$4,698,000 in various growth related projects
- Various grants and special revenue for community improvements in the amount of \$4,634,030.

Town has set aside \$7,000,000 for capital projects for town facilities. The source of these funds comes from the Private Construction Tax, Construction Tax Fund and the Food Tax Fund.

We have established three Streetlight Improvement Districts in the Pulte Development area. This will provide a revenue stream through ad-valorem property tax to pay for expenses of the streetlights that directly provide the benefits to the users of the SLID.

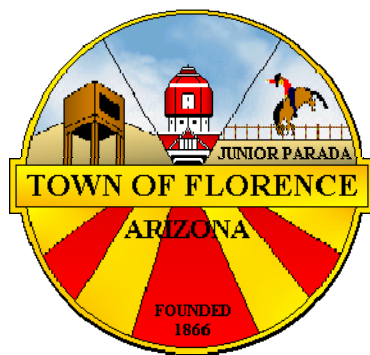
We have established three Community Facilities Districts. These Districts are political sub-division of the Town and have the ability to levy assessments and/or ad-valorem property tax to the owners of the properties within the districts. Funds are used to repay debt associated with the sale of bonds that pay for the infrastructure costs which provides a direct benefit to the users of the individual districts.

Monitoring of existing programs and services will be continued for Budget Year 2009-2010. Cost-to-benefit ratios have been established through the Town's financial policy, and services that do not meet the threshold will be recommended for termination or modification. Personnel costs and benefits continue to be monitored.

The Capital Improvement Plan has been updated by a CIP adopted during the budget process. This guideline will provide the town with a planning document to project capital purchases for the next seven years. The CIP will be updated annually.

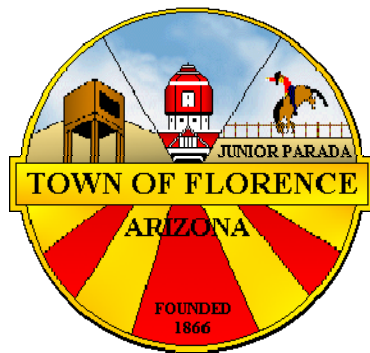
Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's Finance Director at 775 North Main Street, Florence, Arizona 85232.



FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 26,010,836	\$ 7,212,794	\$ 33,223,630
Receivables (net of allowance for uncollectibles)	1,478,550	391,609	1,870,159
Special assessment receivable	4,893,367	-	4,893,367
Due from other governments	250,630	-	250,630
Internal balances	150,000	(150,000)	-
Prepays	415,518	-	415,518
Restricted cash equivalents	805,689	-	805,689
Investments	7,816,160	2,166,164	9,982,324
Deferred charges	560,809	-	560,809
Capital assets			
Land and construction in progress	32,645,345	446,691	33,092,036
Other capital assets (net of accumulated depreciation)	36,240,946	11,594,052	47,834,998
Total assets	<u>111,267,850</u>	<u>21,661,310</u>	<u>132,929,160</u>
LIABILITIES			
Accounts payable and other current liabilities	373,940	-	373,940
Customer deposits	212,649	51,229	263,878
Accrued wages and benefits	489,687	-	489,687
Accrued interest payable	361,122	100,778	461,900
Unearned revenue	845	-	845
Current portion of			
Compensated absences	298,793	34,507	333,300
Capital leases	22,892	-	22,892
Certificates of Participation	250,000	-	250,000
Notes payable	32,877	340,601	373,478
Bonds payable	280,000	-	280,000
Long-term portion of			
Notes payable	581,637	5,692,889	6,274,526
Bonds payable	9,851,000	-	9,851,000
Total liabilities	<u>12,755,442</u>	<u>6,220,004</u>	<u>18,975,446</u>
NET ASSETS			
Invested in capital assets, net of related debt	57,867,885	6,007,253	63,875,138
Restricted for			
Highways and streets	6,782,435	-	6,782,435
Grant purposes	379,407	-	379,407
Debt service	6,234,988	536,470	6,771,458
Special revenues	4,238,037	-	4,238,037
Capital projects	4,932,316	505,400	5,437,716
Unrestricted	18,077,340	8,392,183	26,469,523
Total net assets	<u>\$ 98,512,408</u>	<u>\$ 15,441,306</u>	<u>\$ 113,953,714</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 6,284,516	\$ 1,177,447	\$ 39,442	\$ 594,563
Public safety	5,970,645	276,078	193,890	-
Highways and streets	2,356,534	-	3,207,575	8,812,900
Public works	25,893	-	-	357,278
Culture and recreation	1,365,332	12,657	53,611	-
Community development	731,667	1,261,113	84,009	36,000
Interest on long-term debt	398,057	-	-	-
Total governmental activities	<u>17,132,644</u>	<u>2,727,295</u>	<u>3,578,527</u>	<u>9,800,741</u>
Business-type activities				
Water	1,437,206	2,392,682	-	-
Sewer	2,918,348	2,256,995	-	6,591
Sanitation	626,381	799,442	-	31,105
Total business-type activities	<u>4,981,935</u>	<u>5,449,119</u>	<u>-</u>	<u>37,696</u>
Total primary government	<u>\$ 22,114,579</u>	<u>\$ 8,176,414</u>	<u>\$ 3,578,527</u>	<u>\$ 9,838,437</u>
General revenues				
Property taxes				
Sales and use taxes				
Franchise taxes				
Shared revenues				
State sales taxes				
Urban revenue sharing				
Auto-in-lieu				
Investment earnings				
Miscellaneous				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets-beginning				
Net assets-ending				

See accompanying notes.

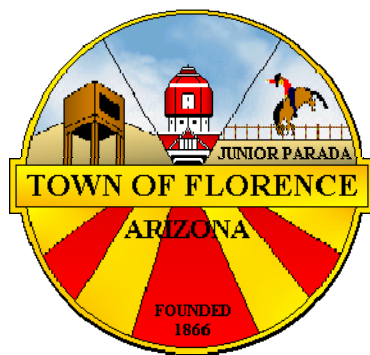
Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,473,064)	\$ -	\$ (4,473,064)
(5,500,677)	-	(5,500,677)
9,663,941	-	9,663,941
331,385	-	331,385
(1,299,064)	-	(1,299,064)
649,455	-	649,455
(398,057)	-	(398,057)
<u>(1,026,081)</u>	<u>-</u>	<u>(1,026,081)</u>
-	955,476	955,476
-	(654,762)	(654,762)
-	204,166	204,166
<u>-</u>	<u>504,880</u>	<u>504,880</u>
(1,026,081)	504,880	(521,201)
1,840,508	-	1,840,508
4,282,871	-	4,282,871
366,481	-	366,481
1,789,055	-	1,789,055
3,063,420	-	3,063,420
1,344,329	-	1,344,329
19,251	(1,839)	17,412
163,863	169,364	333,227
580,388	(580,388)	-
<u>13,450,166</u>	<u>(412,863)</u>	<u>13,037,303</u>
12,424,085	92,017	12,516,102
86,088,323	15,349,289	101,437,612
<u>\$ 98,512,408</u>	<u>\$ 15,441,306</u>	<u>\$ 113,953,714</u>

TOWN OF FLORENCE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Highway User	Impact Fees	Community Facilities Districts- Debt Service
ASSETS				
Cash and cash equivalents	\$ 7,522,317	\$ 4,145,473	\$ 3,889,879	\$ 1,211,426
Receivables (net of allowance for uncollectibles)	1,194,712	262,788	3,599	4,383,527
Due from other governments	27,727	-	-	2,045
Due from other funds	-	-	-	-
Prepays	415,518	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	805,689
Investments	2,260,433	1,245,896	1,168,516	363,920
Total assets	\$ 11,420,707	\$ 5,654,157	\$ 5,061,994	\$ 6,766,607
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	\$ 536,369	\$ -	\$ -	\$ -
Customer deposits	213,440	-	-	-
Accrued wages and benefits	326,555	-	-	-
Deferred revenue	-	-	-	4,382,896
Total liabilities	1,076,364	-	-	4,382,896
Fund balances:				
Reserved for				
Debt service	-	-	-	-
Operations	2,108,651	468,379	-	-
Unreserved, reported in				
General fund	8,235,692	-	-	-
Special revenue funds	-	5,185,778	5,061,994	2,383,711
Capital projects funds	-	-	-	-
Total fund balances	10,344,343	5,654,157	5,061,994	2,383,711
Total liabilities and fund balance	\$ 11,420,707	\$ 5,654,157	\$ 5,061,994	\$ 6,766,607

Capital Improvements	Community Facilities Districts- Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 3,533,208	\$ 1,924,657	\$ 3,784,189	\$ 26,011,149
3,106	2,156	522,029	6,371,917
-	-	220,858	250,630
150,000	-	-	150,000
-	-	-	415,518
-	-	-	805,689
1,061,435	578,396	1,137,251	7,815,847
<u>\$ 4,747,749</u>	<u>\$ 2,505,209</u>	<u>\$ 5,664,327</u>	<u>\$ 41,820,750</u>
\$ -	\$ -	\$ 150	\$ 536,519
-	-	-	213,440
-	-	-	326,555
-	-	511,078	4,893,974
<u>-</u>	<u>-</u>	<u>511,228</u>	<u>5,970,488</u>
-	-	227,644	227,644
-	-	-	2,577,030
-	-	-	8,235,692
-	-	4,925,455	17,556,938
4,747,749	2,505,209	-	7,252,958
<u>4,747,749</u>	<u>2,505,209</u>	<u>5,153,099</u>	<u>35,850,262</u>
<u>\$ 4,747,749</u>	<u>\$ 2,505,209</u>	<u>\$ 5,664,327</u>	<u>\$ 41,820,750</u>



TOWN OF FLORENCE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2009

Fund balance - total governmental funds balance sheet \$ 35,850,262

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Governmental capital assets	\$ 84,429,563	
Less accumulated depreciation	<u>(15,543,272)</u>	68,886,291

Long-term liabilities, including bonds payable and their related
costs, are not due and payable in the current period and therefore
are not reported in the funds.

Compensated absences	(298,793)	
Capital leases	(22,892)	
Certificate of participation	(250,000)	
Notes payable	(614,514)	
Bond issuance costs	560,809	
Bonds payable	<u>(10,131,000)</u>	(10,756,390)

Deferred revenue is shown on the governmental funds, but is not
deferred on the statement of net assets.

Special assessments		4,893,367
---------------------	--	-----------

Interest payable on long-term debt is not reported in the
governmental funds.

	<u>(361,122)</u>
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Net assets of governmental activities - statement of net assets	<u>\$ 98,512,408</u>
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TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

REVENUES	General	Highway User	Impact Fees
Taxes	\$ 2,394,469	\$ 3,114,913	\$ -
Franchise fees	366,481	-	-
Licenses and permits	414,270	-	-
Intergovernmental revenues	6,196,804	92,662	-
Charges for services	1,098,699	-	995,990
Fines	140,588	-	-
Special assessments	-	-	-
Investment earnings	(6,214)	(5,762)	(185)
Contributions and donations	7,300	-	-
Miscellaneous	133,454	19,790	-
Total revenues	<u>10,745,851</u>	<u>3,221,603</u>	<u>995,805</u>
EXPENDITURES			
Current			
General government	3,035,965	-	-
Public safety	5,183,538	-	-
Highways and streets	-	1,497,896	-
Culture and recreation	1,431,507	-	-
Community development	568,458	-	-
Capital outlay	-	2,463,031	139,782
Debt service			
Principal	266,016	36,320	-
Interest and fiscal charges	47,318	1,298	-
Total expenditures	<u>10,532,802</u>	<u>3,998,545</u>	<u>139,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>213,049</u>	<u>(776,942)</u>	<u>856,023</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,038,424	42,472	-
Transfers out	(23,057)	(403,808)	-
Sale of capital assets	-	10,000	-
Total other financing sources and uses	<u>1,015,367</u>	<u>(351,336)</u>	<u>-</u>
Net change in fund balances	<u>1,228,416</u>	<u>(1,128,278)</u>	<u>856,023</u>
Fund balances - beginning of year	<u>9,115,927</u>	<u>6,782,435</u>	<u>4,205,971</u>
Fund balances - end of year	<u>\$ 10,344,343</u>	<u>\$ 5,654,157</u>	<u>\$ 5,061,994</u>

See accompanying notes.

Community Facilities Districts- Debt Service	Capital Improvements	Community Facilities Districts- Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ 1,047,084	\$ 1,813,108	\$ -	\$ 868,718	\$ 9,238,292
-	-	-	-	366,481
-	-	-	-	414,270
-	-	-	1,025,233	7,314,699
-	-	-	18,331	2,113,020
-	-	-	7,361	147,949
739,456	-	-	119,909	859,365
7,408	2,464	22,495	(955)	19,251
-	-	-	19,307	26,607
-	-	-	4,453	157,697
<u>1,793,948</u>	<u>1,815,572</u>	<u>22,495</u>	<u>2,062,357</u>	<u>20,657,631</u>
64,222	97,607	249,994	183,657	3,631,445
-	-	-	26,111	5,209,649
-	-	-	-	1,497,896
-	-	-	-	1,431,507
-	-	-	283,818	852,276
-	525,160	2,192,045	1,078,208	6,398,226
310,000	-	-	40,000	652,336
391,092	-	-	29,364	469,072
<u>765,314</u>	<u>622,767</u>	<u>2,442,039</u>	<u>1,642,486</u>	<u>20,143,735</u>
<u>1,028,634</u>	<u>1,192,805</u>	<u>(2,419,544)</u>	<u>419,871</u>	<u>513,896</u>
191,592	-	-	387,131	1,659,619
-	(61,616)	(191,592)	(399,158)	(1,079,231)
-	-	-	-	10,000
<u>191,592</u>	<u>(61,616)</u>	<u>4,198,408</u>	<u>(12,027)</u>	<u>4,980,388</u>
1,220,226	1,131,189	1,778,864	407,844	5,494,284
1,163,485	3,616,560	726,345	4,745,255	30,355,978
<u>\$ 2,383,711</u>	<u>\$ 4,747,749</u>	<u>\$ 2,505,209</u>	<u>\$ 5,153,099</u>	<u>\$ 35,850,262</u>

TOWN OF FLORENCE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 5,494,284

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
Also, assets contributed to the Town are not reported in the fund
statements and are reported in the statement of activities.

Contributions	\$ 8,812,900	
Sale of capital assets	(239,658)	
Expenditures for capitalized assets	4,255,001	
Less current year depreciation	<u>(1,725,107)</u>	11,103,136

Revenues received in the current year that were accrued in the
statement of activities in prior years

Special assessments	(443,865)
---------------------	-----------

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues
in the funds.

Grants	(50,325)
--------	----------

Interest expense in the statement of activities differs from the amount
reported in governmental funds because accrued interest was
calculated for outstanding debt for the statement of activities, but is
expensed when due for the governmental fund statements.

207,750

Repayment of long-term debt are expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the statement
of net assets.

Issuance of bond debt	(4,390,000)	
Bond issuance costs	(17,653)	
Capital lease principal retirement	33,490	
Certificate of participation principal retirement	235,000	
Note payable principal retirement	56,016	
Bond principal retirement	<u>208,748</u>	(3,874,399)

Compensated absences expenses reported in the statement of activities
do not require the use of current financial resources and therefore are
not reported as expenditures in governmental funds.

(12,496)

Change in net assets of governmental activities

\$ 12,424,085

See accompanying notes.

TOWN OF FLORENCE, ARIZONA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,039,773	\$ 2,039,773	\$ 2,394,469	\$ 354,696
Franchise fees	367,400	367,400	366,481	(919)
Licenses and permits	422,500	422,500	414,270	(8,230)
Intergovernmental revenues	6,212,012	6,212,012	6,196,804	(15,208)
Charges for services	922,083	922,083	1,098,699	176,616
Fines	77,200	77,200	140,588	63,388
Investment earnings	100,000	100,000	(6,214)	(106,214)
Contributions and donations	3,000	3,000	7,300	4,300
Miscellaneous	41,649	41,649	133,454	91,805
Total revenues	<u>10,185,617</u>	<u>10,185,617</u>	<u>10,745,851</u>	<u>560,234</u>
EXPENDITURES				
Current				
General government	3,713,249	3,713,249	3,035,965	677,284
Public safety	5,956,910	5,956,910	5,183,538	773,372
Culture and recreation	1,714,762	1,714,762	1,431,507	283,255
Community development	916,100	916,100	568,458	347,642
Debt service				
Principal	266,016	266,016	266,016	-
Interest and fiscal charges	60,577	60,577	47,318	13,259
Total expenditures	<u>12,627,614</u>	<u>12,627,614</u>	<u>10,532,802</u>	<u>2,094,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,441,997)</u>	<u>(2,441,997)</u>	<u>213,049</u>	<u>2,655,046</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	974,000	974,000	1,038,424	64,424
Transfers out	<u>(74,551)</u>	<u>(74,551)</u>	<u>(23,057)</u>	<u>51,494</u>
Total other financing sources and uses	<u>899,449</u>	<u>899,449</u>	<u>1,015,367</u>	<u>115,918</u>
Net change in fund balance	<u>(1,542,548)</u>	<u>(1,542,548)</u>	<u>1,228,416</u>	<u>2,770,964</u>
Fund balance - beginning of year	1,542,548	1,542,548	9,115,927	7,573,379
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,344,343</u>	<u>\$ 10,344,343</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA
HIGHWAY USER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 3,393,314	\$ 3,393,314	\$ 3,114,913	\$ (278,401)
Intergovernmental revenues	97,539	97,539	92,662	(4,877)
Investment earnings	180,000	180,000	(5,762)	(185,762)
Miscellaneous	93,000	93,000	19,790	(73,210)
Total revenues	<u>3,763,853</u>	<u>3,763,853</u>	<u>3,221,603</u>	<u>(542,250)</u>
EXPENDITURES				
Current				
Highways and streets	2,724,745	2,724,745	1,497,896	1,226,849
Capital outlay	4,659,500	4,659,500	2,463,031	2,196,469
Debt service				
Principal	33,408	33,408	36,320	(2,912)
Interest and fiscal charges	1,317	1,317	1,298	19
Total expenditures	<u>7,418,970</u>	<u>7,418,970</u>	<u>3,998,545</u>	<u>3,420,425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,655,117)</u>	<u>(3,655,117)</u>	<u>(776,942)</u>	<u>2,878,175</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	42,472	42,472
Transfers out	(459,549)	(459,549)	(403,808)	55,741
Sale of capital assets	-	-	10,000	10,000
Total other financing sources and uses	<u>(459,549)</u>	<u>(459,549)</u>	<u>(351,336)</u>	<u>108,213</u>
Net change in fund balance	<u>(4,114,666)</u>	<u>(4,114,666)</u>	<u>(1,128,278)</u>	<u>2,986,388</u>
Fund balance - beginning of year	4,114,666	4,114,666	6,782,435	2,667,769
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,654,157</u>	<u>\$ 5,654,157</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA

IMPACT FEES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 805,040	\$ 805,040	\$ 995,990	\$ 190,950
Investment earnings	113,000	113,000	(185)	(113,185)
Total revenues	<u>918,040</u>	<u>918,040</u>	<u>995,805</u>	<u>77,765</u>
EXPENDITURES				
Current				
Capital outlay	4,214,000	4,214,000	139,782	4,074,218
Total expenditures	<u>4,214,000</u>	<u>4,214,000</u>	<u>139,782</u>	<u>4,074,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,295,960)</u>	<u>(3,295,960)</u>	<u>856,023</u>	<u>4,151,983</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(15,500)</u>	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>
Total other financing sources and uses	<u>(15,500)</u>	<u>(15,500)</u>	<u>-</u>	<u>15,500</u>
Net change in fund balance	<u>(3,311,460)</u>	<u>(3,311,460)</u>	<u>856,023</u>	<u>4,167,483</u>
Fund balance - beginning of year	<u>3,311,460</u>	<u>3,311,460</u>	<u>4,205,971</u>	<u>894,511</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,061,994</u>	<u>\$ 5,061,994</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities-Enterprise Funds		
ASSETS			
Current assets	Water	Sewer	Sanitation
Cash and cash equivalents	\$ 3,457,901	\$ 3,449,390	\$ 305,503
Receivables, net of uncollectibles	193,686	130,154	67,769
Total current assets	<u>3,651,587</u>	<u>3,579,544</u>	<u>373,272</u>
Noncurrent assets			
Investments	1,038,459	1,035,860	91,845
Capital assets:			
Land	120,100	273,973	-
Buildings and improvements	4,701,216	10,486,258	-
Machinery and equipment	669,556	284,263	1,161,370
Construction in progress	-	52,618	-
Less accumulated depreciation	(3,095,806)	(1,986,161)	(626,644)
Total capital assets, net	<u>2,395,066</u>	<u>9,110,951</u>	<u>534,726</u>
Total noncurrent assets	<u>3,433,525</u>	<u>10,146,811</u>	<u>626,571</u>
Total assets	<u>7,085,112</u>	<u>13,726,355</u>	<u>999,843</u>
LIABILITIES			
Current liabilities			
Customer deposits	51,229	-	-
Accrued interest payable	-	100,778	-
Due to other funds	-	-	150,000
Compensated absences	10,792	18,703	5,012
Notes payable	-	340,601	-
Total current liabilities	<u>62,021</u>	<u>460,082</u>	<u>155,012</u>
Noncurrent liabilities			
Notes payable	-	5,692,889	-
Total noncurrent liabilities	<u>-</u>	<u>5,692,889</u>	<u>-</u>
Total liabilities	<u>62,021</u>	<u>6,152,971</u>	<u>155,012</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,395,066	3,077,461	534,726
Restricted for			
Debt service	-	536,470	-
Capital projects	102,908	312,169	90,323
Unrestricted	4,525,117	3,647,284	219,782
Total net assets	<u>\$ 7,023,091</u>	<u>\$ 7,573,384</u>	<u>\$ 844,831</u>

See accompanying notes.

Business-type
Activities
Enterprise Funds

Total
\$ 7,212,794
391,609
<u>7,604,403</u>

2,166,164

394,073
15,187,474
2,115,189
52,618
(5,708,611)
<u>12,040,743</u>
<u>14,206,907</u>
<u>21,811,310</u>

51,229
100,778
150,000
34,507
340,601
<u>677,115</u>

<u>5,692,889</u>
<u>5,692,889</u>
<u>6,370,004</u>

6,007,253

536,470
505,400
8,392,183
<u>\$ 15,441,306</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Sanitation
Operating revenues			
Development fees	\$ -	\$ 6,591	\$ 31,105
Water sales	2,229,853	-	-
Water connection fees	680	-	-
Service establishment fees	15,055	-	-
Sewer service fees	-	1,720,281	-
DOC usage fees	-	536,714	-
Water standpipe	3,055	-	-
Hydro-sprinkler fees	15,325	-	-
Central Arizona Project	114,688	-	-
Refuse collection fees	-	-	799,442
Effluent charges	14,026	-	-
Miscellaneous	65,088	66,550	37,726
Total operating revenue	<u>2,457,770</u>	<u>2,330,136</u>	<u>868,273</u>
Operating expenses			
Personal services	369,067	426,690	271,046
Supplies	51,707	99,047	58,402
Contractual services and maintenance	827,246	864,928	231,682
Other charges	-	44,106	-
Depreciation	183,758	239,519	65,251
Total operating expenses	<u>1,431,778</u>	<u>1,674,290</u>	<u>626,381</u>
Operating income (loss)	<u>1,025,992</u>	<u>655,846</u>	<u>241,892</u>
Nonoperating revenues (expense)			
Interest income	(878)	(1,050)	89
Interest expense	-	(154,791)	-
Loss on sale of assets	(5,428)	(1,089,267)	-
Total nonoperating revenues (expense)	<u>(6,306)</u>	<u>(1,245,108)</u>	<u>89</u>
Income (loss) before transfers	<u>1,019,686</u>	<u>(589,262)</u>	<u>241,981</u>
Transfers in	-	-	90,000
Transfers out	<u>(254,034)</u>	<u>(276,078)</u>	<u>(140,276)</u>
Change in net assets	<u>765,652</u>	<u>(865,340)</u>	<u>191,705</u>
Total net assets-beginning of year	<u>6,257,439</u>	<u>8,438,724</u>	<u>653,126</u>
Total net assets-end of year	<u>\$ 7,023,091</u>	<u>\$ 7,573,384</u>	<u>\$ 844,831</u>

See accompanying notes.

Business-type
Activities
Enterprise Funds

Total
\$ 37,696
2,229,853
680
15,055
1,720,281
536,714
3,055
15,325
114,688
799,442
14,026
169,364
<u>5,656,179</u>
1,066,803
209,156
1,923,856
44,106
488,528
<u>3,732,449</u>
<u>1,923,730</u>
(1,839)
(154,791)
(1,094,695)
<u>(1,251,325)</u>
672,405
90,000
(670,388)
<u>92,017</u>
15,349,289
<u>\$ 15,441,306</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,444,109	\$ 2,330,743	\$ 868,327
Payments to suppliers	(881,628)	(1,008,081)	(290,084)
Payments to employees	(370,365)	(424,495)	(268,434)
Net cash provided by operating activities	1,192,116	898,167	309,809
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(254,034)	(276,078)	(140,276)
Transfers from other funds	-	-	90,000
Net cash used by noncapital financing activities	(254,034)	(276,078)	(50,276)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(595,616)	(292,264)	(229,405)
Proceeds from capital debt	-	159,262	-
Principal paid on capital debt	-	(329,591)	-
Interest paid on capital debt	-	(152,192)	-
Net cash used by capital and related financing activities	(595,616)	(614,785)	(229,405)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	9,503	10,068	1,215
Net cash provided by investing activities	9,503	10,068	1,215
Net increase in cash and cash equivalents	351,969	17,372	31,343
Cash and cash equivalents at beginning of year	4,144,391	4,467,878	366,005
Cash and cash equivalents at end of year	\$ 4,496,360	\$ 4,485,250	\$ 397,348

See accompanying notes.

Business-type
Activities
Enterprise Funds

Total

\$ 5,643,179
(2,179,793)
(1,063,294)

2,400,092

(670,388)
90,000

(580,388)

(1,117,285)
159,262
(329,591)
(152,192)

(1,439,806)

20,786

20,786

400,684

8,978,274

\$ 9,378,958

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2009

	Business-type Activities-Enterprise Funds		
	Water	Sewer	Sanitation
Reconciliation of operating income to net cash provided by operating activities			
Operating income	<u>\$ 1,025,992</u>	<u>\$ 655,846</u>	<u>\$ 241,892</u>
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	183,758	239,519	65,251
(Increase) decrease in accounts receivable	(10,323)	607	54
Increase (decrease) in accounts payable	(2,675)	-	-
Increase (decrease) in customer deposits	(3,338)	-	-
Increase (decrease) in compensated absences	(1,298)	2,195	2,612
Total adjustments	<u>166,124</u>	<u>242,321</u>	<u>67,917</u>
Net cash provided by operating activities	<u><u>\$ 1,192,116</u></u>	<u><u>\$ 898,167</u></u>	<u><u>\$ 309,809</u></u>

Business-type
Activities
Enterprise Funds

Total

\$ 1,923,730

488,528

(9,662)

(2,675)

(3,338)

3,509

476,362

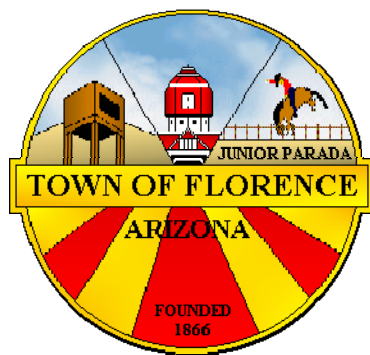
\$ 2,400,092

TOWN OF FLORENCE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 44,693
Investments	<u>217,539</u>
Total assets	<u>262,232</u>
LIABILITIES	
Accounts payable	<u>247</u>
Total liabilities	<u>247</u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u>\$ 261,985</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2009

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 6,190
Total contributions	<u>6,190</u>
Investment earnings	
Interest	<u>9,475</u>
Total investment earnings	<u>9,475</u>
Total additions	<u>15,665</u>
DEDUCTIONS	
Pension withdrawals	<u>13,175</u>
Total deductions	<u>13,175</u>
Change in net assets	2,490
Net assets-beginning of year	<u>259,495</u>
Net assets-end of year	<u><u>\$ 261,985</u></u>



FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Florence, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Town is a municipal entity governed by an elected Mayor and council. The basic financial statements of the town include the funds of all organizational entities for which the Town Council has oversight responsibility or financial accountability and are consequently determined to be included in the Town's financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, the Financial Reporting Entity. The Town provides basic government services to its citizens including roads, water, sewer, sanitation, parks and recreation facilities, police and fire.

Individual Component Units – Blended

The Merrill Ranch Community Facilities District #1 and Merrill Ranch Community Facilities District #2 were formed by petition to the Town Council on December 19, 2005 and November 21, 2005, respectively. The purpose of the Districts is to acquire or construct public infrastructure in specified areas of the Town. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts may levy taxes and issue bonds independently of the Town. Property owned in the designated areas is assessed for the Districts' property taxes, and thus for the costs of operating the Districts. The Town Council serves as the Board of Directors of the Districts. The Town has no liability for the District's debt. For reporting purposes, the transactions of the Districts are included as governmental type funds as if they were part of the Town's operations.

No separate financial statements were prepared for the Districts.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) present financial information about the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state-shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for service, special assessments and investment income associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues also arise when the Town receives resources before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The Town reports the following major governmental funds:

General Fund - This fund is the general operating fund of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Fund – Special Revenue Fund - This fund is used to account for the Town's share of tax revenues that are legally restricted to the maintenance of highways within the Town's boundaries.

Impact Fees Fund - This fund collects fees to help defray the costs of development of infrastructure.

Community Facilities Districts - Debt Service Fund - This fund accounts for the debt portion of the Town's Community Facilities Districts which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

Capital Improvement Fund - This fund accounts for all the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Community Facilities Districts - Capital Improvements Fund - This fund accounts for all the acquisition and construction portion of the Town's Community Facilities Districts which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

The Town reports the following major proprietary funds:

Water Fund - This fund is used to account for the Town's water related operations.

Sewer Fund - This fund is used to account for the Town's sewer related operations.

Sanitation Fund - This fund is used to account for the activities of the Town's sanitation operations.

The Town reports the following fiduciary fund:

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Trust Fund - This Pension Trust Fund is used to account for the Town's Volunteer Firefighter's Pension Fund, a defined contribution plan for which the assets are held by the Town in a trustee capacity. The Town, as well as, the Town's firefighters make contributions to the fund.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Town follows GASB guidance as applicable to its proprietary funds, and Financial Accounting Standards Boards Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprises fund are charges to customers for water, wastewater, and sanitation services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources, as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Town's non-major funds are as follows:

Special Revenue Funds

Construction Tax

Food Tax

Economic Development

Court Enhancement

Grants

Community Facilities Districts

Debt Service Funds

Debt Service Fund

Proprietary Funds

East Florence Water

East Florence Sewer

Fiduciary funds are reported by fund type.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the Town upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Investments

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principle and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

The State's investment pool is managed by the State Treasurer's office with no regulatory oversight. The pool is not required to register with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007. The fair value of a participant's position in the pool approximates the value of that participant's pool share.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

All trade and property tax receivables are shown net of allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivables allowance for uncollectibles.

Property taxes are levied by the Town and collected by the Pinal County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May,

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

G. Prepaid Items

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

H. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20-70
Vehicles, machinery and equipment	3-10

I. Compensated Absences

The Town's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits vest at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of the fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management's intended use of resources and reflect actual plans approved by the government's senior management. At June 30, 2009, the Town reserved fund balance for several various purposes. There are no reported designations.

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2009, the Town had \$1,550 of cash on hand. The carrying amount of the Town's cash in bank totaled \$309,567 and the bank balance was \$717,163. All of the Town's deposits at June 30, 2009 were covered by Federal Depository Insurance.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

The Town invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment and the Investment Risk Management Committee have oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 120 days. The net asset value per share of the pool at June 30, 2009 was \$1.00.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2009, the Town's funds invested with the State Treasurer totaled \$25,041,676.

The Town's Community Facilities Districts have \$805,689 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

The Town also holds \$9,990,524 invested with Stone & Youngberg. The accounts are invested in a money market fund, U.S. Treasury securities, and U.S. Government bonds.

Other investments that the Town owns belong to the Town's Volunteer Fire Department. Funds totaling \$263,782 are held by Securian Retirement Services and consist of a money market fund and a variable annuity.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investment Type	Total	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Primary Government					
Repurchase Agreement	\$ 7,861,087	\$ 7,861,087	\$ -	\$ -	\$ -
Money Market Funds	813,889	813,889	-	-	-
LGIP	25,041,676	25,041,676	-	-	-
U.S. Government Bonds	8,979,514	-	377,454	3,407,434	5,194,626
U.S. Treasury Securities	1,002,810	-	-	-	1,002,810
	<u>43,698,976</u>	<u>33,716,652</u>	<u>377,454</u>	<u>3,407,434</u>	<u>6,197,436</u>
Fiduciary Fund					
Money Market Funds	46,242	46,242	-	-	-
Variable Annuity	217,539	-	-	-	217,539
	<u>263,782</u>	<u>46,242</u>	<u>-</u>	<u>-</u>	<u>217,539</u>
Total	<u>\$ 43,962,758</u>	<u>\$ 33,762,895</u>	<u>\$ 377,454</u>	<u>\$ 3,407,434</u>	<u>\$ 6,414,975</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Total	Ratings as of Year-End			
		AAA	AA-	A+	Unrated
Primary Government					
Repurchase Agreement	\$ 7,861,087	\$ -	\$ -	\$ -	\$ 7,861,087
Money Market Funds	813,889	805,689	-	-	8,200
LGIP	25,041,676	112,309	-	-	24,929,367
U.S. Government Bonds	8,979,514	8,979,514	-	-	-
U.S. Treasury Securities	1,002,810	1,002,810	-	-	-
	<u>43,698,976</u>	<u>10,900,322</u>	<u>-</u>	<u>-</u>	<u>32,798,654</u>
Fiduciary Fund					
Money Market Funds	46,242	-	-	-	46,242
Variable Annuity	217,539	-	217,539	-	-
	<u>263,781</u>	<u>-</u>	<u>217,539</u>	<u>-</u>	<u>46,242</u>
Total	<u>\$ 43,962,758</u>	<u>\$ 10,900,322</u>	<u>\$ 217,539</u>	<u>\$ -</u>	<u>\$ 32,844,896</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 RECEIVABLES

Receivables, net of allowance for uncollectible as of year-end for the Town's individual major governmental funds, nonmajor governmental funds in the aggregate are as follows:

	General Fund	Highway User Fund	Impact Fees	Capital Improvements	Non-Major Governmental Funds
Receivables:					
Taxes	\$ 867,877	\$ 258,173	\$ -	\$ -	\$ -
Interest	7,624	4,615	3,599	-	3,600
Accounts	319,211	-	-	3,106	7,351
Special assessments	-	-	-	-	511,078
	<u>1,194,712</u>	<u>262,788</u>	<u>3,599</u>	<u>3,106</u>	<u>522,029</u>
Less:					
Allowance	-	-	-	-	-
Net receivables	<u>\$ 1,194,712</u>	<u>\$ 262,788</u>	<u>\$ 3,599</u>	<u>\$ 3,106</u>	<u>\$ 522,029</u>

The following table summarizes the Town's receivables for the Community Facilities Districts and total governmental funds as of June 30, 2009.

	Community Facilities Districts- Debt Service	Community Facilities Districts- Capital Improvements	Total Governmental Funds
Receivables:			
Taxes	\$ -	\$ -	\$ 1,126,050
Interest	1,238	2,156	22,832
Accounts	-	-	329,668
Special assessments	4,382,289	-	4,893,367
	<u>4,383,527</u>	<u>2,156</u>	<u>6,371,917</u>
Less:			
Allowance	-	-	-
Net receivables	<u>\$ 4,383,527</u>	<u>\$ 2,156</u>	<u>\$ 6,371,917</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2009.

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Interest	\$ 3,388	\$ 3,201	\$ 283	\$ 6,872
Accounts	192,851	128,439	69,248	390,538
	<u>196,239</u>	<u>131,640</u>	<u>69,531</u>	<u>397,410</u>
Less:				
Allowance	(2,553)	(1,486)	(1,762)	(5,801)
Net receivables	<u>\$ 193,686</u>	<u>\$ 130,154</u>	<u>\$ 67,769</u>	<u>\$ 391,609</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 RECEIVABLES (Continued)

Revenues of the enterprise funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to sewer	<u>\$ 118</u>
Total uncollectibles for the current year	<u><u>\$ 118</u></u>

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2009 follows.

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 30,871,444	\$ 1,783,084	\$ (78,527)	\$ 32,576,001
Construction in progress	<u>4,739,411</u>	<u>2,423,541</u>	<u>(7,093,608)</u>	<u>69,344</u>
Total capital assets not being depreciated	<u>35,610,855</u>	<u>4,206,625</u>	<u>(7,172,135)</u>	<u>32,645,345</u>
Capital assets, being depreciated:				
Buildings and improvements	30,085,638	14,828,518	(136,109)	44,778,047
Vehicles, furniture and equipment	<u>6,022,785</u>	<u>1,126,369</u>	<u>(142,983)</u>	<u>7,006,171</u>
Total capital assets being depreciated	<u>36,108,423</u>	<u>15,954,887</u>	<u>(279,092)</u>	<u>51,784,218</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,925,013)	(1,145,570)	-	(11,070,583)
Vehicles, furniture and equipment	<u>(4,011,113)</u>	<u>(579,537)</u>	<u>117,961</u>	<u>(4,472,689)</u>
Total accumulated depreciation	<u>(13,936,126)</u>	<u>(1,725,107)</u>	<u>117,961</u>	<u>(15,543,272)</u>
Total capital assets, being depreciated, net	<u>22,172,297</u>	<u>14,229,780</u>	<u>(161,131)</u>	<u>36,240,946</u>
Governmental activities capital assets, net	<u><u>\$ 57,783,152</u></u>	<u><u>\$ 18,436,405</u></u>	<u><u>\$ (7,333,266)</u></u>	<u><u>\$ 68,886,291</u></u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 CAPITAL ASSETS (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 394,073	\$ -	\$ -	\$ 394,073
Construction in progress	7,006,644	52,618	(7,006,644)	52,618
Total capital assets not being depreciated	7,400,717	52,618	(7,006,644)	446,691
Capital assets, being depreciated:				
Buildings	8,059,701	7,795,585	(2,749,992)	13,105,294
Improvements other than buildings	2,025,425	56,756	-	2,082,181
Vehicles, machinery and equipment	1,867,679	294,869	(47,359)	2,115,189
Total capital assets being depreciated	11,952,805	8,147,210	(2,797,351)	17,302,664
Less accumulated depreciation for:				
Buildings	(3,397,143)	(224,828)	(12,097)	(3,634,068)
Improvements other than buildings	(2,186,622)	(140,760)	1,581,796	(745,586)
Vehicles, machinery and equipment	(1,252,329)	(122,940)	46,311	(1,328,958)
Total accumulated depreciation	(6,836,094)	(488,528)	1,616,010	(5,708,612)
Total capital assets, being depreciated, net	5,116,711	7,658,682	(1,181,341)	11,594,052
Business-Type activities capital assets, net	<u>\$ 12,517,428</u>	<u>\$ 7,711,300</u>	<u>\$ (8,187,985)</u>	<u>\$ 12,040,743</u>

The beginning balances for the business-type activities have been reclassified from the prior year.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 193,588
Public safety	413,906
Highway and streets	1,032,771
Culture and recreation	43,039
Community development	41,803
Total depreciation expense	<u>\$ 1,725,107</u>
Business-type activities	
Water	\$ 183,758
Sewer	239,519
Sanitation	65,251
Total depreciation expense	<u>\$ 488,528</u>

NOTE 5 CAPITAL LEASES

The town has entered into lease agreements for capital purchases. This lease provides bargain purchase options and transfer of title at the end of the lease term. The assets have been capitalized at the present value of the future minimum lease payments as of the date of their inception.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 CAPITAL LEASES (Continued)

The assets acquired through capital lease are as follows:

Asset:	
Machinery and Equipment	\$ 209,198
Less: accumulated depreciation	(209,198)
Total	<u>\$ -</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

Year Ending, June 30	Governmental Activities	
	Principal	Interest
2010	\$ 22,892	\$ 323
Total	<u>\$ 22,892</u>	<u>\$ 323</u>

NOTE 6 CERTIFICATES OF PARTICIPATION

On January 30, 1997, certificates of participation totaling \$2,495,000 were issued. The certificates evidence undivided proportionate interests in lease payments to be made under a lease agreement. The proceeds of the certificates were used by the Town for the construction of the town hall and other facilities. The certificates bear interest at rates from 3.75 – 5.40 percent, payable semiannually.

The certificates of participation as of June 30, 2009, will mature as follows:

Year Ending, June 30	Governmental Activities	
	Principal	Interest
2010	\$ 250,000	\$ 6,750
Total	<u>\$ 250,000</u>	<u>\$ 6,750</u>

NOTE 7 NOTES PAYABLE

The Town has a note payable to a private party for the purchase of land. The note is payable in annual installments of \$69,748 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$614,514 at June 30, 2009.

The Town signed a promissory note from the Water Infrastructure Finance Authority (WIFA) to be used for construction of a new sewer plant. As of June 30, 2009, the Town could borrow up to \$7,500,000. As of June 30, 2009, the Town has an outstanding balance of \$6,033,490. Payments are due semi-annually including interest at 3.339%.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 NOTES PAYABLE (Continued)

The annual debt service requirements to maturity as of June 30, 2009, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 32,877	\$ 36,871	\$ 340,601	\$ 195,869
2011	34,849	34,898	351,974	184,307
2012	36,940	32,807	363,726	172,359
2013	39,157	30,591	375,871	160,011
2014	41,506	28,241	388,421	147,251
2015 - 2019	248,013	100,725	2,145,526	529,434
2020 - 2024	181,171	21,801	2,067,371	145,049
Total	<u>\$ 614,514</u>	<u>\$ 285,935</u>	<u>\$ 6,033,490</u>	<u>\$ 1,534,280</u>

NOTE 8 BONDS PAYABLE

Bonds payable at June 30, 2009, consisted of the outstanding special assessment bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$655,000. The bonds are secured and payable from special assessments levied against the real property benefited by said improvements. If the assessments are not paid, the properties subject to such assessments are sold at auction. If there is no purchaser for any property offered for sale, the Town will get ownership of the property subject to any tax liens and will be liable for the remaining debt. The Town Council is required to appropriate from the General Fund of the Town the amount of the total unpaid assessments or the amount of each semiannual assessment until the total debt is paid.

Community Facilities Districts (CFDs), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the Town, are authorized under state law to issue General Obligation (GO) bonds to be repaid by property taxes levied on property within the districts. CFDs are created by petition of the Town Council by property owners within the area to be covered by the district and debt may be issued only after approval of the voters within the district.

In June 2006 the Merrill Ranch Community Facilities District #2 issued \$2,464,000 of GO bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. Subsequent to year end the Town redeemed \$80,000 of selected principal maturities for the bonds. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 BONDS PAYABLE (Continued)

In June 2006 the Merrill Ranch Community Facilities District #1 issued \$2,555,000 of GO bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. Subsequent to year end the Town redeemed \$75,000 of selected principal maturities for the bonds. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

In November 2006 the Merrill Ranch Community Facilities District #1 issued \$194,000 of Series 2006 GO bonds to finance capital improvements within the district. In August 2008 the Merrill Ranch Community Facilities District #1 issued \$4,390,000 of GO Series 2008A bonds to pay off the Series 2006 bonds of \$187,000 and used the remaining amount to finance a portion of the costs of acquiring certain public infrastructure within the boundaries of the District. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

In October 2006 the Merrill Ranch Community Facilities District #2 issued \$251,000 of GO bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

A summary of long-term bond debt payable at June 30, 2009, follows:

Description	Interest Rate	Maturity	Outstanding Principal #NAME?	Due Within One Year
Special Assessment	8.45%	01/01/19	\$ 655,000	\$ 45,000
Special Assessment	4.30 - 5.30%	07/01/30	2,388,000	64,000
Special Assessment	4.30 - 5.30%	07/01/30	2,461,000	60,000
CFD GO Bond #1	6.00 - 7.40%	07/15/33	4,390,000	105,000
CFD GO Bond #2	5.30%	07/01/31	237,000	6,000
Total			<u>\$ 10,131,000</u>	<u>\$ 280,000</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 CHANGES IN LONG-TERM LIABILITIES

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2009 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 280,000	\$ 627,212
2011	255,000	611,934
2012	270,000	597,047
2013	295,000	580,985
2014	301,000	563,408
2015 - 2019	1,835,000	2,508,156
2020 - 2024	1,893,000	1,907,977
2025 - 2029	2,662,000	1,216,479
2030 - 2034	2,340,000	349,022
Total	<u>\$ 10,131,000</u>	<u>\$8,962,216</u>

Long-term liabilities activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 6,091,000	\$ 4,390,000	\$ 350,000	\$ 10,131,000	\$ 280,000
Notes payable	670,530	-	56,016	614,514	32,877
Certificates of participation	485,000	-	235,000	250,000	250,000
Capital leases	56,382	-	33,490	22,892	22,892
Compensated absences	286,297	348,853	336,357	298,793	298,793
Governmental activities long-term liabilities	<u>\$ 7,589,209</u>	<u>\$ 4,738,853</u>	<u>\$ 1,010,863</u>	<u>\$ 11,317,199</u>	<u>\$ 884,562</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable	\$ 6,203,819	\$ 159,267	\$ 329,596	\$ 6,033,490	\$ 340,601
Compensated absences	30,998	32,267	28,758	34,507	34,507
Business-type activities long-term liabilities	<u>\$ 6,234,817</u>	<u>\$ 191,534</u>	<u>\$ 358,354</u>	<u>\$ 6,067,997</u>	<u>\$ 375,108</u>

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2009, there were the following interfund balances.

Interfund receivable/payable:

Fund	Receivable Amount	Payable Amount
Capital Improvements	\$ 150,000	\$ -
Sanitation	-	150,000
Total	<u>\$ 150,000</u>	<u>\$ 150,000</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 10 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
(Continued)

Interfund transfers:

Fund	Transfers Out	Transfers In
General Fund	\$ 23,057	\$ 1,038,424
Highway User	403,808	42,472
CFD Debt Service	-	191,592
CFD Capital Improvements	191,592	-
Capital Improvements	61,616	-
Non-Major Governmental Funds	399,158	387,131
Water	254,034	-
Sewer	276,078	-
Sanitation	140,276	90,000
Total	<u>\$ 1,749,619</u>	<u>\$ 1,749,619</u>

All transfers made during the year were routine in nature and consistent with the activities of the fund making the transfer.

NOTE 11 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its members additional premiums should reserve and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by the Workers' Compensation Insurance Fund for potential worker-related accidents.

NOTE 12 CONTINGENT LIABILITIES

Federal and State grants and loans – The Town has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2009; however, the Town expects no material disallowances of expenditures.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 RETIREMENT PLANS

All full-time Town employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute.

Arizona State Retirement Plan

Plan Description - The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling 602-240-2200 or 1-800-621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the years ended June 30, 2009, 2008 and 2007 active ASRS members and the Town were each required by statute to contribute at the actuarially determined rates of 9.45, 9.6 and 9.1 percent (rate includes .50 for long-term disability) respectively of the member's annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2009, 2008, and 2007 were \$405,436, \$389,336, and \$292,965, respectively, which were equal to the required contributions for the year.

Arizona Public Safety Personnel Retirement System

Plan Description - The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The Town contributes to one PSPRS plan for police and one for firefighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling 602-255-5575.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 11.10% and 8.66% for covered payroll totaling \$1,605,681 and \$1,136,141 to the Plan for the Police and Firefighters, respectively.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 RETIREMENT PLANS (Continued)

The most recent actuarial valuation available is for fiscal year end June 30, 2008.

Annual Pension Cost - The Town's pension cost for the agent plan for the year ended June 30, 2008, and related information follows:

	<u>PSPRS – Police</u>	<u>PSPRS - Fire</u>
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Projected Unit Cost	Projected Unit Cost
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.5 – 8.5%	5.5 – 8.5%
Includes inflation at cost-of-living adjustment	5%	5%
Amortization method	Level Percent Open	Level Percent Open
Remaining amortization period	Open 20 Years	Open 20 Years
Asset valuation method	Smoothed Market	Smoothed Market
Post retirement benefit increases	Based on Income	Based on Income

Trend Information - Information for the PSPRS plan as of the most recent actuarial valuations follows:

Plan	Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS - Police	2008	\$ 95,452	100.0%	-
	2007	60,525	100.0%	-
	2006	43,042	100.0%	-
PSPRS - Fire	2008	80,684	100.0%	-
	2007	37,170	100.0%	-
	2006	25,520	100.0%	-

Funding Progress - An analysis of funding progress for each of the agent plan as most recent actuarial valuations, June 30, 2009 follows:

PSPR - Florence Police Plan:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
2008	\$ 2,535,613	\$ 2,330,451	\$ 205,162	108.8%	\$ 1,635,384	0%
2007	2,203,084	2,261,965	(58,881)	97.4%	1,219,892	4.8%
2006	2,146,461	1,930,848	215,613	111.2%	1,230,733	0%

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 13 RETIREMENT PLANS (Continued)

PSPR - Florence Fire Plan:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
2008	\$ 863,388	\$ 743,279	\$ 120,109	116.2%	\$ 1,143,644	0%
2007	705,178	547,507	157,671	128.8%	618,405	25.5%
2006	486,597	324,180	162,417	150.1%	511,854	0%

NOTE 14 SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the Merrill Ranch Community Facilities District #1 and #2 issued GO bonds to finance capital improvements within the district. District #1 issued \$353,500 in GO Bonds, and District #2 issued two series of bonds at \$301,000 and \$528,500 each. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

